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TAGS: [ECON](#) [ENRG](#) [PGOV](#) [IZ](#)
SUBJECT: GOI ENERGY COMMITTEE DISCUSSES HYDROCARBON LAW
NEGOTIATIONS AND TARIQ AL-HASHIMI

Classified By: Ambassador Zalmay Khalilzad for reasons 1.4 (a) and (b).

1) (C) Summary: The Government of Iraq Energy Committee, including Minister of Planning Ali Baban, Minister of Oil Shahrستاني and Minister of Electricity Karim and Deputy Prime Minister Barham Salih, met on December 7. The Ambassador was scheduled to meet DPM Salih separately and arrived in time for the final part of the discussion. The group discussed the remaining points of contention regarding the hydrocarbon law, specifically approval of contracts and the disputed territories. The GOI officials also emphasized the need to encourage Tariq al-Hashimi to be a more constructive partner to Prime Minister Maliki's government. End summary.

Hydrocarbon Law Negotiations: Approval of Contracts

2) (C) DPM Salih asked the Ambassador's assistance in trying to resolve the still open issue of the use of the word "approval" with respect to contracts. Minister Shahrستاني said that the Prime Minister was not happy with any formulation that did not include the provision that the Federal Petroleum Committee (FPC) would approve contracts negotiated by the KRG. The Minister of Planning noted that Tawafuq also opposed any formulation that did not give control to the central government. The DPM said that he thought he could sell a negative formulation to the KRG, i.e., that there could be a veto of contracts by the FPC, but not approval. The DPM said he would talk to the Prime Minister the following day, and that KRG Prime Minister Nechirvan Barzani would be in Baghdad then as well.

3) (C) DPM Salih complained that Kurdish mistrust of the central government is not just historical, but also based on the fact that in the last three plus years there has been no investment in the KRG in oil and gas. Minister Shahrستاني replied that was true for all of Iraq because of the instability the country faces. (Note: The Ministry of Oil has spent very little of its capital budget in 2006. End note.) From the discussion it seemed that the Kurds have resolved their budget issues with the government, providing some positive momentum to resolve the "approval" issue.

Hydrocarbon Law Negotiations: Disputed Territories

4) (C) The group also discussed the treatment of Kirkuk in the draft, with Minister Shahrستاني saying that the hydrocarbon law is not the place to deal with Article 140 of the constitution, with which the DPM agreed. (Note: Article 140 stipulates that a referendum be held in Kirkuk and other disputed territories to determine if they should be part of the KRG. End note.) DPM Salih offered to use his influence with the KRG to resolve the references to disputed

territories in a way that limited them to oil and gas issues.

Minister Shahrستاني also said that he would insist that Kurdish extant contracts be submitted to the FPC for review, but that this was primarily as a means to also subject Saddam era contracts to the FPC for review. (Comment: Presumably this review would allow also for amendment and rejection. End comment.) He noted that the legal position on the Vietnamese contract in particular was a problem, since it had been ratified by the Saddam parliament, giving it a different legal status. Review of the extant Kurdish contracts probably crosses a KRG red line, but DPM Salih was fairly optimistic about being able to sell it to KRG PM Nechirvan Barzani.

Final Negotiations

15. (C) The Ambassador offered to use his good offices to facilitate a resolution and strongly urged the parties to agree within the next couple of days. DPM Salih agreed that announcing a completed agreement would go a long way toward addressing the charge that this Maliki government cannot deal with difficult issues. On process, Minister Shahrستاني said the draft law, which also faces opposition from Fadhila and the Sadrists, should go to the Shura Council (the Legal Committee at the Ministerial level) before it is approved by the Council of Ministers, and that they needed to pay attention to getting a solid majority, which means keeping Tawafuq on board. DPM Salih offered to brief the Sunnis on the benefit of the deal and the group agreed that it would be good if this issue could be impressed on Tariq al-Hashimi when he is in Washington DC.

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Tariq al-Hashimi's Political Power

16. (C) After the meeting adjourned, DPM Salih, Minister Shahrستاني and the Ambassador continued to discuss how to deal with Tariq al-Hashimi, who apparently is trying to flex his political muscles by challenging the fuel import liberalization law, which he must ratify. Such a step would be egregious, especially since the '07 budget has no allocation for fuel imports so the situation will be difficult even with the liberalization law fully implemented. Minister Shahrستاني said that he had the impression that Tawafuq was interpreting the ISG report as implying that the current political process in Iraq could be reconsidered, and that the regional conference would lead to a change in their position under the constitution. Minister Shahrستاني added that they need to get this idea out of their heads immediately or it would greatly complicate the effort to build a moderate coalition. They should receive an unequivocal message that the constitutional process is irreversible. Minister Shahrستاني argued that when Tariq al-Hashimi is in the U.S. he should be commended for struggling against extremists, but reminded that Maliki is facing the same challenge. Tariq al-Hashimi should also be recognized for the personal sacrifices he has endured, and urged to work with Maliki. That having been said, Minister Shahrستاني said that PM Maliki believes Tariq al-Hashimi is close to groups that may well be committing murders and that is why members of his Personal Security Detail (PSD) were being detained. Minister Shahrستاني said the government had evidence from interrogations for these suspicions.

17. (C) DPM Salih agreed that it would be necessary to encourage Tariq al-Hahsimi to work to moderate the Sunnis, but that if the present government fails, it would be the moderate Shia who would be the biggest losers, followed by the Kurds. So there was a clear common need for a new Sunni partner. The discussion concluded with the Ambassador reminding all that it would be a real shame to lose the hydrocarbon deal over one word and that they should try to

resolve that problem now.
KHALILZAD